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GOVERNMENT OF INDIA

MINISTRY OF FINANCE

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**Speech by the Honourable the Finance Minister on Introducing the Budget proposals for 1949-50**

SIR,

I rise to present the Budget for 1949-50.

*Review of Economic Conditions*

2. Although this is the fourth year since the cessation of hostilities, the return of normal conditions, without which it is impossible to expand production and develop trade, seems still as far off as ever. Over large parts of the world, conditions remain disturbed and the progress of recovery from the ravages of the war is painfully slow. In Europe the impasse in Berlin, the civil war in Greece and the emergence of two rival camps among the countries that fought the war as allies are symptomatic of the abnormal conditions which still prevail. The Palestine question, which is a serious threat to peace and stability in the Middle East, is still unsolved. Nearer home, the continuance of civil strife in China, the disturbances in Burma, which concern us deeply in view of our close economic ties with that country and the large interests our nationals have in it, and the unprovoked assault of the Dutch on the Indonesian Republic, all these retard the economic recovery not merely of this largely underdeveloped area of the globe but of the whole world. Prosperity, like peace, is indivisible and while these conflicts are going on in various parts of the world involving a tragic waste of men and material, the common man in all countries,

particularly the less developed countries, continues to pay a heavy price in want and suffering.

3. In our own country, as in most other countries in the post-war period, the major problem has been that of keeping the inflationary trends under control. It is not necessary for me to dilate on the causes of the emergence of these trends since the end of the war. While as a result of the war the purchasing power in the hands of the community increased considerably, the available supply of commodities in the post-war period was not sufficient to meet the increasing demand for them. The shortage of essential commodities, particularly food and clothing, aggravated the situation owing to the rise in the money income of some sections of the community who in the past never competed for food and consumer goods on the same scale. Difficulties in transport and distribution accentuated the shortages while the partition last year and the economic dislocation caused over considerable parts of the country by the movement of population between the two Dominions made the position worse. A steady rise in prices occurred throughout 1947 the general index number of whole sale prices rising from 290·5 at the beginning of the year to 314·2 at the end of December. In the first seven months of 1948 there was a further steep rise in prices, the index number of wholesale prices rising by as much as 76 points to 390·1. Since then the prices have slightly dropped and as a result of the various measures taken by Government prices have remained more or less steady.

4. The answer to the problem of inflation and high prices is to increase the supply of commodities to meet the existing demand and until this position is reached to control the distribution of the available supply of the essential commodities. In the matter of food the supply position still continues to be difficult and last year owing to the poor crops in certain parts of the country we have had to import 2·8 million tons from overseas at a cost of Rs. 130 crores against an estimated import of 2 million tons at a cost of Rs. 110 crores. The position is expected to be still more difficult this year owing to the floods in Bihar and the United Provinces, the damage caused by the recent cyclone in Bombay and the outbreak of famine in parts of Gujerat, Saurashtra, Rajasthan and Cutch and imports may amount to 4 million tons. As the House is aware, it has already been decided to re-introduce food control and it is hoped that this will secure an

equitable supply of food grains throughout the country at fair prices. In respect of other commodities the position in regard to internal production has, I am glad to say, been encouraging in recent months although it has not been possible in many cases to reach the peak production of the war years or the target that has been set. Last year the production of coal at 29·73 million tons and of steel at 854,000 tons just fell short of the production in the previous year while the production of salt rose from 49·6 million maunds to 59·3 million maunds, of cotton yarn from 1,315 million lbs. to 1,442 million lbs., of cloth from 3,816 million yards to 4,338 million yards, of art silk fabrics from 85 million yards to 114 million yards, of plywood from 28·6 million sq. feet to 38·63 million sq. feet and of soap from 80,000 tons to 190,000 tons. The flow of raw materials to industry has also improved with the improvement in the transport position while with the relaxation of import controls there has been a larger flow of imported goods. Production has been greatly assisted by the occurrence of fewer strikes and labour disputes. If the present favourable trends in production continue, I have no doubt that it will be possible not merely to arrest the rise of prices but to bring them down gradually.

5. The state of the capital market in the year under review has been a matter of concern to Government. While there is obviously a large amount of money in the country competing for the limited supply of goods, the investment market has been stagnant and there has been little flow of money into Government loans or into industrial concerns. This stagnation is due in large measure to the prevailing uncertainty in regard to matters affecting industrial development and prospects. My own view is that with the huge potential demand in this country for both consumer and capital goods, there is bound to be for many years a wide field for private enterprise and that in this matter no one who invests money is taking a greater risk than in any other country in the world.

6. As I mentioned a while ago, the fight against inflation has been one of Government's main pre-occupations this year. As Honourable Members are aware, Government consulted various interests and sections of public opinion regarding the measures necessary to deal with this situation. In a matter of this kind, it is obviously not possible to expect complete unanimity of opinion as to either the causes of inflation or the

remedies to be adopted. But it was clear that immediate action should be taken to prevent, as far as possible, the further creation of purchasing power in the hands of the community and to take all steps possible to stimulate production and instil a spirit of confidence in industry. With this end in view, in the field of taxation additional duties on certain articles of luxury such as liquor, tobacco, motor cars, silk and art silk fabrics were imposed and an excise duty on super fine cloth was levied. Power was taken to make provisional assessments of income-tax on the basis of returns submitted by the assesseees. A system of interest bearing deposits for income-tax introduced in 1943 was also revived and it was decided to postpone for a further period of three years the refund of deposits of Excess Profits Tax except for approved purposes. A temporary limit was also placed on the amount that may be distributed as dividend by public companies, by an Ordinance, the enactment of which into law is now under consideration by the House. Among measures taken to stimulate industrial production, I would mention the reduction in the import duty on machinery and certain industrial raw materials and the abolition of the import duty on cotton yarn. New industrial undertakings commencing production in the next three years have been given exemption from income-tax for the first five years up to a limit of six per cent. per annum on their capital. The rules regulating depreciation allowances have also been liberalised. In the field of Governmental expenditure a rapid review was conducted of all capital and development schemes including the Provincial schemes. As a result the total provision for capital and development schemes and loans has been substantially reduced. It was also made clear to the Provinces that in the present financial situation they should not count on Central assistance for implementing their schemes of social or agrarian reform. The House will realise that it was not without regret that we decided to hold up even temporarily the various schemes of development the execution of which is necessary for the well being of the country. But the need for economy was imperative and we had to postpone all avoidable expenditure. But this has not led to the slowing down of any productive scheme or any scheme essential for the national interest. I would like to take this opportunity to express my sense of gratitude to the Provincial Governments for their ready co-operation in this matter.

#### *Balance of Payments*

7. The main features in the external financial position of the country in the year under review have been the sharp

decline in the sterling balances held by the Reserve Bank of India, the growing difficulty in the financing of imports from the hard currency areas and the emergence of Pakistan as a foreign country for currency purposes with the separation of its currency from that of India. The sterling balances which reached the peak figure of Rs. 1,733 crores at the end of 1945-46 declined by Rs. 121 crores to Rs. 1,612 crores during 1946-47. This reduction was due mainly to the large imports of food but there were also substantial imports of other goods in satisfaction of the pent up demand of the war years and a certain amount of repatriation of British capital. During 1947-48 the reduction was somewhat smaller due to the restrictive import policy which was introduced towards the close of 1947 and the balances fell by only Rs. 67 crores to Rs. 1,545 crores. In the first ten months of the current year there has been a further drop of Rs. 556 crores in these balances. This heavy outgo is due to several causes. The first is the payment to the United Kingdom Government in accordance with the agreement reached with them last July, of Rs. 284 crores for the purchase of annuities for financing the payment of sterling pensions and the acquisition of the Defence installations and stores left behind in India by the United Kingdom at the end of the war. The second is the payment to the State Bank of Pakistan of Pakistan's share of these balances following the separation of its currency from that of India. This payment is still continuing as the sterling and other assets of the Issue Department are handed over in instalments as Indian notes are withdrawn from circulation in Pakistan and handed over to the Reserve Bank. Sterling to the extent of Rs. 1,77 crores has so far been transferred to the Pakistan State Bank. The third factor responsible for the decline is India's adverse balance of payments on current and capital account.

8. Government's import policy is largely determined by the trend of the balance of payments. The aim of this policy is so to regulate trade that while it is kept at the highest possible level consistent with the needs and requirements of the country, India should not have an overall deficit in her balance of payments on current account during any particular period of time of more than the amount by which it has been agreed with the United Kingdom Government India's sterling balances should be drawn upon. Under the present agreement signed last July it has been agreed that India's free sterling account which had a balance at the end of June, 1948 of £ 80 million will be credited with an equivalent sum during the period July, 1949 to June, 1951. In pursuance of this policy and

also with the immediate object of reducing the inflationary pressure in the country, import controls were relaxed during the course of the year, and I am glad to say that they have resulted in substantially increasing the available supply of goods in the country.

9. While our overall balance of payment position is on the whole satisfactory, our balance of payments with the dollar and hard currency countries is causing us great concern. In the pre-war years India had usually a surplus with the United States of America and during the war years owing to the drastic curtailment of imports to conserve dollars for the war effort, India continued to have increasing surpluses. After the war, the trend of trade rapidly reversed itself and, in common with the rest of the world, this country started having substantial deficits on hard currency account. The reason for this was that we had increasingly to turn to the hard currency countries for our requirements as the countries whose economies had been disrupted by the war could not meet them. This was particularly true of food which is today the largest single consumer of foreign exchange. Burma could not supply all the rice we needed because of the ravages of the war and its aftermath; Australia could not give us all the wheat we wanted because the United Kingdom had priority in supply.

10. India's dollar deficit in the past used to be financed by the central reserves of the sterling area. But beginning from January, 1948 the United Kingdom refused to carry this responsibility any further and insisted on limiting the convertibility of our sterling very rigidly. The limits imposed—£ 10 million (\$ 40 million) for the half year January—June, 1948 and £ 15 million (\$ 60 million) for the year July, 1948—June, 1949—bear no relation whatever to our needs. Concurrently with the imposition of these limits on convertibility, there came the separation of the exchange resources of Pakistan from India which also took place in January, 1948. This has also handicapped us severely as many commodities which before partition earned hard currency, such as raw jute, raw cotton and hides and skins, were largely exported from territories now in Pakistan. In spite of the maximum possible limitation of imports from the hard currency areas and the maximum possible encouragement of exports thereto, India had a deficit in her balance of payments with the hard currency countries in the six months April to September, 1948 of \$ 45 million. The deficit for the next three months, for which preliminary figures are available, is expected to be \$ 48 million.

Of these deficits, the purchase of food grains was responsible for \$ 35 million and \$ 40 million respectively. These deficits which exceed by far the convertibility allowed to us by the United Kingdom have been met by loans from the International Monetary Fund from which since March, 1948 we have borrowed no less than \$ 92 million.

11. I confess that this chronic dollar deficit is causing Government no little anxiety. Honourable Members are aware that we intend to negotiate dollar loans from the International Bank for Reconstruction and Development. But these loans will be available only for financing the purchase of equipment for our developmental projects and not for current expenditure. We do not favour the idea of borrowing on the present scale from the International Monetary Fund but if the central reserves of the sterling area, to which we were at one time a source of strength, insist on continuing to limit our claims on them in the same way as at present, we shall have no alternative to continuing to borrow. One ray of hope in the situation lies, of course, in the fact that we hope, in future years, to import less food and to divert our food purchases to the soft currency areas. It is also possible that the international prices of food grains will not remain at the present high levels.

12. While we have exchange control with all countries in the world, we have none with Pakistan. This has been rendered possible by the fact that simultaneously with the separation of their currencies on the 1st July, 1948 India and Pakistan came to a monetary and payments agreement. The main terms of this agreement, which is in the first instance valid for a period of one year, are that each party will hold the currency of the other up to a limit of Rs. 15 crores, that thereafter up to a further limit of Rs. 10 crores accounts will be settled in free sterling and the balance in sterling in Account No. II. The reason for entering into an agreement of this kind was that the Governments of both Dominions were anxious to ensure that the obstacle to inter-dominion trade, which the imposition of exchange control would necessarily entail, should, if possible, be avoided. I am glad to say that this agreement has worked satisfactorily and that currency considerations have not stood in the way of inter-dominion commerce.

#### FINANCIAL YEAR, 1948-49

13. I shall now proceed to give a brief review of the financial position in the current and the ensuing years.

For the current year the deficit is now estimated at Rs. 1.55 crores against Rs. 2.14 crores provided in the budget.

### *Revenue*

14. The revenue receipts are now estimated at Rs. 338·32 crores against the budget estimate of Rs. 255·24 crores, an increase of Rs. 83·08 crores. With the relaxation in the import controls during the course of the year there has been a considerable expansion of imports and the revenue from Customs is expected to be Rs. 36·49 crores more than the budget estimate. The yield from the excise duties on sugar, matches, tyres and tubes and vegetable products has also shown a substantial improvement and with the excise duty on cotton cloth imposed last December and estimated to yield Rs. 7 crores in a full year the revenue from Central excise duties is likely to be Rs. 4·28 crores more. Income-tax receipts are now placed at Rs. 20·62 crores more than the budget largely as a result of the intensive drive for the clearance of arrears and the recent ordinance authorising the provisional collection of tax on the basis of the statements of income of the assessees, but of this increase Rs. 5·38 crores will accrue to the Provinces as their share of revenue. The revenue from the two Government commercial departments also shows increases. The contribution from Posts and Telegraphs is likely to be Rs. 2·95 crores more while from the Railways, as the House is already aware, the contribution will amount to Rs. 7·34 crores against Rs. 4·5 crores taken in the budget. The profits from currency also show an increase of Rs. 3·65 crores. There is also a carryover of Rs. 1·33 crores on account of Government's share of the profit on stocks of sugar frozen in December 1947 which was not realised during that year and certain pre-partition receipts amounting to Rs. 13·4 crores.

### *Expenditure*

15. The total expenditure this year is now estimated at Rs. 339·87 crores, an increase of Rs. 82·49 crores over the budget estimate which nearly wipes out the increase in revenue. Of this increase, Defence Services account for Rs. 34·35 crores and Civil estimates for the balance of Rs. 48·14 crores.

16. *Defence Services*.—The expenditure on Defence Services during the year has been affected by the continuance of the operations in Kashmir, the extent and duration of which could not be foreseen at the time the budget was prepared and for which, in consequence, no provision was included and also by the unforeseen deterioration in the situation in Hyderabad which led to the police action last September. In view of



these developments the armed forces had to be maintained at a higher strength than was contemplated in the budget. New units had to be raised and some of the operational demands for stores, equipment and munitions had to be met by fresh procurement. In addition to our own forces we had to take in service larger forces from the Indian States and the Government of Nepal also loaned us some of their troops for purposes of internal defence. All these measures entailed additional expenditure for which there was no provision in the budget.

17. The increase of Rs. 48·14 crores in civil expenditure is mainly due to three causes. Firstly, the revised estimates include a new provision of Rs. 20·75 crores for meeting pre-partition liabilities for which no provision was made in the budget. At the time the budget was framed, sufficient data regarding the outstanding liabilities were not available and the arrangements with Pakistan for meeting and adjusting these had not also been settled. It was hoped that these liabilities would be met and shared currently by the two Dominions but the Pakistan Government declined to meet these liabilities on the ground that they were initially those of India and that Pakistan would take its share only through the debt settlement. The Government of India do not accept this view as, in their opinion, after the division of the available cash balances of the undivided Government between the two Governments, the outstanding liabilities should be paid and currently shared by the two Governments. But in order to avoid hardship to those who had made supplies or rendered services to the undivided Government, the Government of India have agreed to meet the liabilities in the first instance. Certain outstanding payments relating to the pre-partition period, such as the Provincial share of income-tax, are also due to the Provincial Governments now located in India which the Government of India propose to meet. Secondly, the expenditure on the relief and rehabilitation of refugees which has always been difficult to estimate and for which a provision of Rs. 10·04 crores was made in the budget is now expected to amount to Rs. 19·45 crores. This increase is partly due to the carryover of certain liabilities from the previous year, mainly payments to Provincial Governments, which could not be made before the close of last year and partly to increased expenditure on relief which has to be regulated with reference to the constantly changing requirements of the situation. Thirdly, the expenditure on the subsidising of imported food grains and the payment of bonuses to Provincial Governments on internal procurement is now expected to exceed the original

budget by Rs. 12.05 crores. The House will remember that after a review of the food position last October it was decided that with effect from the 1st October 1948 the Central share of the loss on the supply of imported food grains to deficit areas should be raised from two thirds to three quarters and that a similar concession, limited to the Centre meeting half the loss, should be extended to the Indian States. Part of the increase is also due to the fact that while the budget provided for subsidies up to the end of the calendar year, provision has now been made for the full financial year.

I should also mention a further reason for the increase in civil expenditure. The House will remember that in the budget for the current year my predecessor made a lump cut of Rs. 2.5 crores for economies likely to result from the implementation of the recommendations of the Economy Committee. The work of this Committee has taken somewhat longer than was originally expected and its report on a number of Ministries are still under examination. No savings are therefore likely to be realised this year. For next year I am not making any provision at this stage as it is not possible, until firm decisions have been taken on their recommendations, to estimate the savings likely to be realised. But I may assure the House that this does not mean that I do not expect any economies to result from the Committee's recommendations. On the contrary it is my intention to secure the utmost economy possible in public expenditure and the House may rest assured that the recommendations of the Committee will be most carefully and earnestly considered by Government and the resulting economies enforced during the course of the year.

#### *Income-tax Investigation Commission*

18. Before I pass on to deal with the estimates for the coming year I should like to mention the progress made in the work of the Income-tax Investigation Commission. Honourable Members will remember that the Act constituting the Commission assigned two duties to it, namely, to investigate and report on all matters relating to taxation on income, with particular reference to the extent to which the existing law relating to and procedure for the assessment and collection of such taxation is adequate to prevent evasion and to investigate specific cases referred to the Commission by the Central Government. On a study of the working of the Income-tax law and its administration during recent years, the Commission came to the conclusion that on a long-term view the first task was no less important than the second, and

as work on the second had for various reasons necessarily to be slow, the Commission devoted a great part of its time till recently to the first task. This involved the examination of voluminous evidence tendered in reply to a comprehensive questionnaire which was issued, and the Commission has recently submitted a long report in which it has made recommendations on many points of law and of administration. These recommendations are now being examined with a view to the necessary legislation being introduced, and it is hoped that it will be possible to place a bill before the House at its next session.

19. As regards the investigation of specific cases referred to it by Government, the Commission has completed a few cases. Greater progress was not possible for a variety of reasons. Firstly, it was only in April 1948 that the necessary staff for investigation work could be placed at the disposal of the Commission. This was because it was not possible for the Income-tax Department to spare their more experienced officers for this work before April, 1948, in view of the shortage of officers in the Department and the large amount of arrears that had to be cleared. However, this difficulty has now been overcome to some extent, and the officers authorised by the Commission are working in different cities carrying on investigation under instructions and directions given by the Commission. It is the material gathered by them that will form the basis of the Commission's further work.

Another factor which has delayed the disposal of specific cases taken up for enquiry is that it has been found that a good deal of general enquiry and collection of facts and figures is a necessary preliminary to the investigation of the specific cases. These general enquiries and the collation of the materials collected have taken a considerable time, and the work is proceeding apace. Once this is completed, it may be hoped that the disposal of specific cases will be expedited.

In this connection I may add that the possibility of disposing of the referred cases by agreed settlement is being explored, and a bill will shortly be placed before the House for vesting the necessary powers for making such settlements in the hands of the Commission.

#### FINANCIAL YEAR, 1949-50

20. I now turn to the estimates for the next financial year. At the existing level of taxation, I place the total revenue

at Rs. 307·74 crores and the expenditure charged to revenue at Rs. 322·53 crores leaving a deficit of Rs. 14·79 crores.

### *Revenue*

21. The total receipts from customs is estimated at Rs. 107·25 crores. This provides for a full year's effect of the changes in the tariff in the course of this year as part of the campaign against inflation. Central excises are expected to bring in Rs. 57·75 crores, including Rs. 7 crores from the recently imposed excise duty on cotton cloth. Receipts from income-tax, which include Rs. 11·22 crores on account of Excess Profits Tax and Rs. 12·01 crores on account of Business Profits Tax have been placed at Rs. 155 crores. Honourable members will remember that it was decided last year that advance payments of tax should be taken direct to revenue instead of being treated initially as a deposit and, as a first step in the process of changing the accounting procedure, advance payments of Corporation Tax were taken direct to revenue in the budget for the current year. Next year, as a further step in the process, I have taken credit in the revenue estimates for Rs. 12·5 crores for a part of these advance payments that will be received during the year. I hope that the change will be completed over the next three years. The divisible pool of income-tax is estimated at Rs. 90·7 crores of which the Centre will retain Rs. 46·85 crores leaving Rs. 43·85 crores as the Provincial share. The profits from Currency and Mint, after allowing for the share of Pakistan are estimated at Rs. 9·7 crores.

The revenue from the Posts and Telegraphs Department is expected to amount to Rs. 30·26 crores and working expenses and interest to Rs. 28·63 crores, leaving a surplus of Rs. 1·63 crores. As in the current year this surplus will be shared equally by general revenues and the department which will get a rebate of interest on its share of the accumulated profits, expected to amount to about Rs. 10 crores at the end of the budget year.

The contribution from the Railways for next year has been taken at Rs. 4·72 crores, the amount provided in the Railway Budget.

### *Expenditure*

22. The total expenditure in the coming year is estimated at Rs. 322·53 crores of which Defence Services will account for Rs. 157·37 crores and civil expenditure for Rs. 165·16 crores.

23. *Defence Services.*—Following the customary procedure I shall first deal with the Defence estimates. The Defence Budget for the coming year shows an increase of Rs. 1.94 crores over the revised estimate for the current year, the excess in which I largely ascribed to the operations in Kashmir. The House may well ask why with the cease fire in Kashmir there is no decrease in the Defence Budget. The main reason for this is that the reduction in the strength of the armed forces cannot be made over-night and the process of demobilisation has necessarily to be spread over a period similar to the recruitment and training of the forces. The current year's revised estimates reflect the expenditure on the gradual building up of our strength while the budget for next year would reflect the gradual reduction in that strength. Since both the processes take time the average strength of the troops during the budget year is unlikely to differ materially from that in the current year. In framing the budget for next year we have taken into account the improvement in the Kashmir situation following the cease fire and our hope that this cease fire will eventually lead to a peaceful solution of the problem. The House will naturally not expect me to go into greater detail in this matter but I must utter a warning that if for any unforeseen reason these hopes on which we have based our estimates are not realised, it may be necessary to exceed the provision now proposed. It has also to be remembered that the recent grant of an *ad hoc* dearness allowance to employees of the Central Government has added Rs. 4 crores to the Defence Budget next year. The budget for next year also includes additional provision for the expansion of the Navy and the Air Force. As the House is aware, our Navy till recently consisted of only a few sloops and frigates designed primarily for port defence but with the achievement of independence the Navy has been called upon to shoulder greater responsibilities than before, for which it is necessary to have a balanced force, complete with aircraft carriers, cruisers, destroyers and submarines. With this end in view, Government have recently approved the first phase of a 10-year plan for the Navy, confined mainly to the recruitment and training of the personnel in the various branches of the Navy. The last war proved conclusively the overwhelming importance of the fleet air arm and the House will be glad to know that a beginning has already been made in this respect and that the budget includes provision for the establishment of a fleet air arm.

With regard to the Air Forces also, plans for their expansion and development are going forward. It is hoped to train sufficient technical man-power to make it a more balanced and effective force.

24. Before I pass on to civil estimates I would like to refer to a change in the preparation of the Defence Demands for next year. The provision for supplies and stores which was previously pooled together and included under one Demand for all the three Services, except for certain Naval and Air Force stores, has now been split among the three Services—Army, Navy and Air Force. This change will make the estimates for each Service self-contained to a greater extent than before and enable the Defence authorities to exercise a closer and more efficient control over the expenditure in their respective Services.

25. *Civil Estimates.*—I now come to the Civil Estimates. Details of the estimates under individual heads are, as usual, given in the Explanatory Memorandum circulated with the budget papers and it is unnecessary for me to deal with them at any considerable length here. I should like, however, to refer briefly to certain special items for which provision is included in these estimates. The budget next year includes Rs. 9·85 crores for the relief and rehabilitation of refugees. In addition, a provision of Rs. 23·27 crores has been made in the capital budget, Rs. 21·34 crores for loans for rehabilitation including loans to Provincial Governments and the Rehabilitation Finance Administration and Rs. 1·93 crores for buildings. The expenditure on food subsidies and the payment of bonus on procurement under the revised policy is estimated at Rs. 32·97 crores next year. The estimates also include Rs. 10 crores for the meeting of pre-partition claims and Rs. 12·83 crores under the various heads of expenditure for development schemes

26. Of the total expenditure of Rs. 165·16 crores provided in the budget for next year, Rs. 52·82 crores are accounted for by the expenditure on refugees, the payment for food subsidies and pre-partition payments, leaving Rs. 112·34 crores for normal expenditure. This includes Rs. 10·06 crores for tax collection, Rs. 41·97 crores for obligatory expenditure on payment of interest and pensions and provision for debt redemption, Rs. 2·04 crores for planning and resettlement, Rs. 2·23 crores for expenditure on Currency and Mint, Rs. 2·95 crores for grants-in-aid to Provincial Governments and Rs. 24·20 crores for expenditure in the nation building

spheres such as Education, Medical and Public Health, Broadcasting, Aviation and on Scientific Surveys and institutions in which the Central Government largely supplement the work of Provincial Governments. The balance of Rs. 28·89 crores represents the provision for administration, Civil Works, etc. and represents only 17·5 per cent. of the total civil expenditure. In addition to Rs. 24·20 crores in the nation building spheres mentioned above, provision has also been made for the grant of Rs. 26·81 crores to Provincial Governments for development and Rs. 49·25 crores for loans.

27. Honourable Members are aware that in recent months a large number of Indian States have been merged in the neighbouring Indian Provinces or taken over for administration direct by the Centre as part of the policy of unifying the country under the guidance of my distinguished colleague the Deputy Prime Minister. Ultimately the revenue and expenditure of these States have to merge in those of the Provinces or the Centre depending on the subject to which they pertain. But the process of integration is still incomplete and for the present the transactions of these States have been kept separate in a deposit account and not included in the revenue and expenditure of India. If, as may be hoped, the integration is completed in the course of the coming year, these transactions will be included in the revised estimates for the year.

28. On the basis of the estimates of revenue and expenditure that I have explained so far, the anticipated deficit for next year is Rs. 14·79 crores. I shall return to the question of how I propose to deal with this deficit in a later part of my speech.

#### *Post-War Planning and Development*

29. I mentioned earlier that as part of the campaign against inflation, Government had to review their whole programme of expenditure and reduce the outlay both in the capital and in the revenue budgets. Even so, substantial amounts have been included in the budget for grants to Provincial Governments and for Central schemes of development. So far as the Provinces are concerned it is not the intention that the scale of assistance promised to them by the Centre for their development schemes and on which they have formulated their plans should in any way be reduced. All that is happening is that the pace of this assistance is being temporarily slowed down in view of the urgent need for economy and in so doing special care has been taken to see that the progress of productive schemes and schemes of long range importance essential for national development is not held up. The House

will remember that last year we laid down the policy that the grant each year from the Centre should be limited to half the amount spent on the approved schemes. Some of the smaller Provinces whose resources are limited asked for the waiver of this condition and in spite of our own difficulties we have agreed for this year and next year to allow them grants up to the total amount they may spend on approved schemes. The budget for next year includes a provision of Rs. 26·81 crores for grants and Rs. 49·25 crores for loans to Provinces for development.

30. For Central schemes of development including re-settlement a provision of Rs. 12·83 crores has been made in the revenue budget and Rs. 24·97 crores in the capital budget. Details of the provision are given in the Explanatory Memorandum and among the important schemes I would mention the expansion of the Forest Research Institute, Dehra Dun, the development of the forest estate in the Andamans, the preliminary work on a number of river projects like the Kosi, the Assam Valley, the Narbada, Tapti, and Sabarmati schemes, investigations in Coorg, Central Provinces and Bastar, the re-organisation of the Central Waterways Navigation and Irrigation Research Station, the expansion of the Indian Agricultural Research Institute and the development of basic education. The budget also provides Rs. 2·19 crores for the Central Government's share of the expenditure on the Damodar Valley Scheme, Rs. 90 lakhs for buildings for development schemes, Rs. 4·93 crores for the Fertiliser Factory under construction at Sindri, Rs. 2·92 crores for the expansion of civil aviation and Rs. 96 lakhs for the expansion of Broadcasting.

In the sphere of industrial development a beginning is also being made in the starting of basic industries essential for national development. Among these I would mention the Government Telephone Factory for the manufacture of telephone equipment, the setting up of a Shipping Corporation in which a total sum of Rs. 6·98 crores is expected to be invested this year and next year, the setting up of new steel works and factories for the manufacture of wireless equipment, synthetic oil, machine tools, cables, Diesel engines and heavy electrical equipment. A beginning will be made in the establishment of these industries which will be developed in subsequent years.

#### *Capital Expenditure*

31. With regard to capital expenditure I have just mentioned the provision included in the budget for development



schemes. The House will doubtless be interested in the provision made in the budget for normal capital expenditure. But before I describe this, I must mention certain special transactions which have been entered in the capital budget this year. The first is the payment to the U. K. Government for the purchase of annuities for meeting the sterling pensions which accounts for a net debit of Rs. 215.68 crores this year and a recovery of Rs. 7.42 crores next year for which credit has been taken. The second is the payment, again to the U. K. Government, as part of the Sterling Balances Agreement of Rs. 133.33 crores for the Defence stores and installations taken over from them against which Rs. 51.57 crores will be recovered this year and Rs. 11.8 crores next year from Pakistan and from the sale of surpluses. The third is the outlay of Rs. 5.93 crores on the acquisition of the shares of the Reserve Bank of India this year. Lastly, there is a provision of Rs. 5.08 crores this year and Rs. 92 lakhs next year for payment to Pakistan for setting up Ordnance factories and other unique institutions. As part of the partition arrangements it was agreed that as most Ordnance factories and institutions like the Security Printing Press and the Currency Note Press were located in India and it was not desirable to break up these institutions, a sum of Rs. 6 crores should be made available to Pakistan for setting up similar institutions in Pakistan. This payment will be added to Pakistan's partition debt to India. Excluding these special items and the provision for development schemes and grants to Provinces the provision for normal capital expenditure amounts to Rs. 44.09 crores this year and Rs. 62.42 crores next year. Of the provision this year, Railways account for Rs. 27.15 crores and the Posts and Telegraphs Department for Rs. 2.91 crores. Next year's budget provides Rs. 28.49 crores for the Railways, Rs. 3.82 crores for Posts and Telegraphs and Rs. 7.9 crores for schemes of State Trading, mainly for the purchase of foodgrains the cost of which will be recovered in the following year.

The House will remember that a provision of Rs. 14.99 crores was made in the budget for the current year for capital outlay on Defence. The actual expenditure is now estimated at Rs. 9.91 crores, the decrease being mainly due to the delay in the completion of certain plans for major works and the procurement of aircraft. For next year a provision of Rs. 15 crores has been included of which Rs. 7.24 crores will be spent on the Army, Rs. 2.79 crores on the Navy and Rs. 4.97 crores on the Air Force.

*Ways and Means*

32. I now turn to a brief consideration of the ways and means position. The current year's budget provided for a total borrowing of Rs. 150 crores from the market and to a net receipt of Rs. 31·25 crores from small savings. For a variety of reasons to which I have referred in another part of my speech the gilt edged market remained inactive throughout the year with very little investment demand. It was not therefore possible to borrow on the scale originally contemplated. For next year I have made a modest provision of Rs. 85 crores for market loans. But if, as I hope, conditions improve the scale of borrowing will be raised. Next year Government have the option of repaying the 3 per cent. loan 1949-52 with an outstanding balance of Rs. 67 crores. I have assumed that this amount will be repaid and in my estimate of borrowing next year I have taken this return of money to the market also into account. In the present inflationary conditions, it is of the utmost importance for the economy of the country that the community should save as much as possible and lend its savings to the State. I trust that the recent measures taken by Government to meet the inflationary situation would restore public confidence and that this time next year I shall be in a position to give a more heartening picture of public co-operation in the Government's borrowing operations. As regards small savings, there has been in recent months some improvement in the net receipts from Savings Banks and in the sale of National Savings Certificates. The House will remember that last April Government issued two new series of certificates with a currency of five and seven years to cater to the smaller investor and also raised the maximum limit of investment in both Postal Savings Bank and National Savings Certificates in order to stimulate further investment. It is too early to assess the results of these measures but Government are doing all in their power, in co-operation with the Provincial Governments, to stimulate and sustain the small savings movement. It is hoped that the budget anticipations in regard to receipts from this source will be exceeded this year by Rs. 1·6 crores. For next year I have allowed for some further improvement and taken credit for a net receipt of Rs. 37·56 crores.

33. I now pass on to my proposals for dealing with the deficit of Rs. 14·79 crores anticipated in the coming year,

34. The prospective deficit for next year is substantial and I am sure that the House will agree with me that in the present inflationary conditions it should not be left uncovered.

35. The problem before me is not merely that of raising the additional revenue to cover this deficit. I have also to consider the adjustments in taxation necessary in the light of the experience of the working of the tax system in the period since the House passed the budget for the current year. Fiscal policy is not an end in itself but has to subserve the ends of national policy and in a transitional period like this it is essential to keep the working of the taxation system under constant review and readjust it in the light of changing circumstances.

Apart from inflation, to which I have referred in detail elsewhere, the most disconcerting element in the economic life of the country today is a deep, underlying fear of the future, of which the stagnation in the capital market is an index. In my view one of the most urgent tasks before a Finance Minister today is to concert measures designed to remove this fear and to secure a revival of confidence. It is clear from recent experience that the formation of capital in this country has been seriously affected, with the result that investments in Government loans and industry have been falling off. Unless this stagnation is checked and conditions are created in which the incentive to save and to invest is revived, the industrial expansion of the country and the execution of the plans for raising the living standards of the people are bound to be delayed. In formulating the proposals which I shall place before the House, I have kept this requirement prominently in mind.

#### RELIEFS IN TAXATION.

36. I shall now deal with the various measures of relief which I propose to give.

In the field of direct taxation, my first proposal is to abolish the Capital Gains Tax. At the time this tax was introduced it was expected to yield a large revenue, but it synchronised with a period of falling values and the yield from this tax has, in consequence, been small. Its psychological effect on investment has, however, been markedly adverse and it has had the effect of hampering the free movement of stocks and

shares, without which it is hardly possible to maintain a high level of industrial development. In present circumstances, I consider the retention of this tax ill-advised. The loss of revenue is estimated at Rs. 1 crore.

My second proposal relates to income-tax. Here I propose to give some relief to income-tax payers in the lowest and medium income groups. The tax on incomes upto Rs. 10,000 will be reduced by a quarter of an anna, from one anna to nine pies in the first slab and from two annas to one anna nine pies in the second slab. This class has been severely hit by the rise in prices and a certain degree of relief in their case is amply justified. The loss is estimated at Rs. 3 crores.

My third proposal relates to super-tax. Here I propose two reliefs designed to meet the criticism that the existing level of taxation leaves little incentive for saving and investment and that it is illogical to ignore the differentiation between earned and unearned income above Rs. 1½ lakhs. In respect of earned income I propose a reduction of an anna and a half in the rates charged on incomes above Rs. 1½ lakhs, leaving the maximum rate of tax for income-tax and super-tax together at 14 annas. For unearned income, I propose a reduction of 6 pies in the maximum rate of super-tax. The cost of the two concessions will be Rs. 2·1 crores.

Of the total loss of Rs. 6·1 crores involved in these concessions, Rs. 3 crores will fall on the Provinces by reducing the divisible pool of income-tax and the balance on the Centre.

37. Before I leave the subject of direct taxation I would like to mention two changes which I propose to make. The House will remember that in the budget for the current year my predecessor gave a concession to companies with an income of Rs. 25,000 and below by reducing their income-tax to half the usual rates. This concession was meant to encourage the growth of smaller companies but the reduction, which was allowed in income-tax, has given rise to considerable administrative difficulties, wholly out of proportion to the amount involved or the benefit accruing to the companies. I have carefully reviewed the position and come to the conclusion that while the concession should be maintained it should take the

form of a rebate of half the Corporation Tax, and should be limited to public-controlled small companies which are not branches or subsidiaries of bigger companies. The result of this change will be that the entire cost of the concession will fall upon the Centre, and the Provinces will not have to share it. The amount involved is likely to be small and I have therefore made no specific provision on this account in the estimates for next year. The second change relates to the taxation of incomes of privately-controlled companies which do not declare their dividends in India. It may be recalled that there was a serious anomaly in the administration of income-tax law relating to the recovery of super-tax from shareholders, in respect of the dividends paid out of Indian profits, by companies incorporated outside this country. It was difficult to obtain from these companies information concerning the names of their shareholders and the amounts of dividends paid out of Indian profits and there was consequently a considerable loss of revenue. The problem of plugging this leakage was considered last year and my predecessor introduced a scheme whereby an extra tax of one anna was imposed on all such companies with a view partially to recouping the loss. As part of the scheme, an amendment was made to the Income-Tax Act so as to confer personal immunity from further taxation upon the shareholders of such companies. The amendment however had the effect of conferring immunity from super-tax not only upon the dividends actually received, but also upon the dividends which under the operation of section 23-A of the Income-Tax Act could be deemed to have been received from privately-controlled companies. Therefore, if the matter had been left there, the profits of these companies would have escaped with an overall impost much lighter than that to which they were subject under the previous law. This point was met by applying to this category of companies the rates of income-tax and super-tax prescribed for individuals or associations and the definition of "company" was altered to permit of this being done by executive action. The arrangement has, however, not been satisfactory, and after a careful review of the matter I have decided that instead of attempting to tax each such privately-controlled company as an individual, the principle of applying an average rate should be adopted. I accordingly propose that all corporations, whether Indian or non-Indian, should continue to be treated as companies but a further super-tax of one anna should be paid by those privately-controlled companies that do not distribute their profits in India. I propose to apply this method commencing with the current year. It will not involve any change in the revenue estimates.

38. There is one aspect of the complaint about the high taxation in relation to industry to which I would like to make a passing reference. Owing to the steep rise in the level of prices of raw materials, wages and working costs, larger amounts of working capital are needed to maintain production. Replacement costs are also higher, and there have been complaints that the calculation of depreciation allowance for purposes of taxation on the original cost of the asset involves great hardship. It has been suggested that industries should be allowed to revalue their existing fixed assets at the present day prices so that future depreciation allowance may be given on the basis of the revaluation. The Government of India considered this problem in all its aspects last October and came to the conclusion that while the difficulty complained of was real the solution proposed was not practicable. It would give no assistance to those who have immediately to replace their worn-out assets and there was no point in giving a concession to others who, at some future date, may not be required to pay the high prices now prevailing. It was however realised that some relief should be given to those who were prepared to renew and re-equip their capital assets immediately, in spite of the prevailing high costs. It was decided that for all new plant and machinery installed during the five years from the 1st April 1948, depreciation allowance at double the ordinary rate will be allowed. It has also been decided that if by 1st April 1953 there is a drop in the general level of prices, the difference between the written down value of the assets and the corresponding value at the reduced price will be allowed as an additional depreciation allowance. For existing plant and machinery, it has been decided to grant extra depreciation allowance for increased wear and tear if triple shifts are worked. I trust that these concessions will go a long way in meeting the complaints of industry in this matter. In addition, the concession given last year of a reduced rate of income-tax to companies which do not distribute a part of their profits as dividends, and the recent limitation, for a temporary period, of the amount that may be distributed as dividends will also enable industrial concerns to accumulate reserves for meeting the increased cost of replacement.

39. I now turn to the reliefs in indirect taxation.

The House will remember that in the budget for the current year an export duty was levied on oil seeds and vegetable oils. This was justified at the time by the wide disparity between the internal prices of these commodities and their ex-

port prices and it was then felt that the levy of this duty will not affect our export market. The effect of this duty has since been carefully reviewed and it is now clear that its continuance hampers the maintenance of our exports, particularly to the dollar countries, where we have to meet severe competition. In the interests of the export trade I propose to withdraw this duty. The loss in revenue is estimated at Rs. 1.5 crores.

As a measure of assistance to civil aviation and to foster the development of flying clubs and the training of Indian pilots, it is proposed to give a rebate of half the duty on aviation spirit used by air companies, flying clubs and others. This concession is estimated to cost Rs. 40 lakhs.

Honourable Members are aware that it has been the policy of Government to give relief in respect of customs duty on raw materials imported for industry. In pursuance of this policy it is proposed to give relief next year in the case of a number of imported articles, the total cost of such remissions being estimated at Rs. 35 lakhs.

40. The net effect of all the reliefs mentioned so far is a reduction in revenue of Rs. 5.35 crores, raising the prospective deficit to Rs. 20.14 crores.

#### NEW AND ADDITIONAL TAXES.

41. Before I deal with proposals for new taxation I would mention certain changes proposed in the postal rates. With the rapid development of a net work of air services over the whole country, it has been decided to utilise this facility for accelerating the delivery of mails and transmit all first class mails, namely, letter and post cards as far as possible by air. The existing surcharge on air mails will accordingly be abolished and as all mails will be carried over as much of the distance as possible by air, it is proposed to revise the existing rates for letters and post cards. The rate for letters will be raised from  $1\frac{1}{2}$  annas to 2 annas for the first tola or fraction thereof, the rate for each subsequent tola or fraction thereof remaining unchanged at 1 anna. For post cards the present charge of six pies will be raised to nine pies, the rate which was in force prior to the 1st July 1946. The net additional revenue from the revision of these rates and the abolition of the surcharge on air mails is estimated at Rs. 2.84 crores.

42. I now come to the problem of covering the remaining deficit of Rs. 17.3 crores. It is obvious that at the present level of taxation there is now no scope for raising additional

revenue by an increase of direct taxes. As regards customs duties, the level of our import duties is, in my opinion, so high that no substantial increase in revenue is likely to result from enhancing them. The levy of export duties has to be carefully regulated with reference, not so much to our revenue needs, as to the need for maintaining and developing the country's export trade which earns the foreign exchange necessary for financing essential imports. While some adjustments may be found possible in respect of import duties, and export duties could be utilised to some extent, we can no longer rely on customs duties for raising substantial additional revenue and we shall have to depend largely on developing excise duties.

43. I shall first deal with customs duties. I propose to retain on the tariff next year the changes made by ordinance in November last as part of the campaign against inflation and complete the process of raising the duties on luxury items, which was then begun, by a number of further minor changes in the tariff. To this effect I propose to levy a surcharge on liquor equivalent to the basic duty, to raise the surcharge from one-fifth to one-half on fabrics containing silk, art silk, woolsens and their mixtures and cotton knitted apparel, to double the surcharge on artificial silk yarn and thread, earthenware and china, and to raise the duty on paper (other than newsprint), stationery articles, glass and glassware including sheet and plate glass, cutlery, metal furniture, flashlights, photographic appliances and clocks and watches. The additional revenue from all these changes is estimated at Rs. 2.4 crores.

I also propose to raise the import duty on motor spirit from 12 annas a gallon to 15 annas a gallon. The excise duty will also be similarly raised. This will bring the duty on motor spirit to the level in 1945-46, when consumption of this article was regulated by more severe austerity standards, and bring in an additional revenue of Rs. 2.55 crores, taking Customs and Central Excises together. I have carefully considered the implications of this course on transport and am satisfied that it will not retard the development of transport or add materially to the cost of road transport.

My next proposal is to raise the import duty on betelnuts from 5 annas a lb. to  $7\frac{1}{2}$  annas a lb., with the present preference of 6 pies a lb. for imports from British colonies. This will bring in additional revenue and will also be in the interests of the indigenous grower. The yield is estimated at Rs. 1 crore.



In the sphere of export duties I propose a new duty of 15 per cent. *ad valorem* on exports of cigarettes, cigars and cheroots. I am satisfied that this will not affect the export market for these goods. The estimated yield is Rs 60 lakhs.

44. I now turn to changes in Central Excise Duties. I have already referred to the increase in the excise duty on motor spirit as complementary to the increase in the import duty. I propose further changes in respect of sugar, tyres for motor vehicles and cotton cloth. I propose to increase the duty on sugar from Rs. 3 per cwt. to Rs. 3-12-0 per cwt., to yield Rs. 1.5 crores. The duty on tyres used for motor vehicles will be raised from 15 per cent. *ad valorem* to 30 per cent. *ad valorem*, to bring an additional revenue of Rs. 70 lakhs. As regards cotton cloth, as the House is aware, a duty of 25 per cent. *ad valorem* was levied on superfine cloth with effect from 1st January 1949, as one of the measures against inflation. This duty will be continued next year and in addition, it is proposed to levy a duty of 6½ per cent. *ad valorem* on fine cloth and a quarter anna per yard on coarse and medium cloth. The duty will be confined to mill-made cloth and will not be applicable to cloth woven on handlooms. The revenue from this additional duty on cotton cloth is estimated at Rs. 9 crores.

45. The excise duty on cloth has a long and bitter history behind it and I must explain to the House my reasons for introducing it. In the first place, the circumstances in which we are levying the duty today are different from those in which it was levied by a foreign Government in the interests of a foreign industry. In the second place, it is necessary to replace the heavy loss in revenue resulting from the abolition of the salt duty by developing some other equally stable source of revenue. Cloth, with a large internal production and as an article of universal consumption, offers itself as the most obvious choice for a tax on consumption. Thirdly, in the present conditions, as the price of imported cloth remains high and the import duties thereon have been enhanced considerably, the proposed excise duty is not likely to affect the indigenous industry. I would also mention that this duty is likely to assist the handloom industry. During the war years when there was no control on handloom cloth and supplies for civilian use were restricted the handloom industry had an assured market for its products. With the Indian mills steadily expanding their production and imports from overseas also tending to increase, the advantages which the handloom industry had during the war years will gradually disappear. The excise duty now proposed,

which adds slightly to the cost of the mill product, will, in some measure, help the handloom industry to retain its market. From the point of view of the consumer the incidence of this duty, particularly on the middle and lower middle classes using coarse and medium cloth, will be negligible and in view of the substantial revenue that is expected from it I trust the House will accord its approval to it.

46. While on the subject of Central excises, I may mention the question of rationalising the duty on matches, which I have had under consideration for some time. The ideal arrangement will be to have one standard size of matches but owing to practical difficulties in production it is not possible to achieve this. I have therefore decided that two sizes, namely, 40s and 60s should continue in production for the home market and I have made some slight readjustment in the rate of the duty. Factories whose annual output is less than 5 lakhs gross boxes will now benefit by the levy of a somewhat lower rate of duty. Necessary amendments to the tariff will be made through the Finance Bill but this will not involve any change in the revenue estimates. With the provision of the two sizes I hope that the retail prices will not exceed 6 pies and 9 pies per box and that the consumer will get the benefit of the partial standardisation without any loss of revenue to the exchequer.

#### NET RESULT OF PROPOSALS.

47. I may now summarise the net effect of all the proposals that I have placed before the House. The various measures of relief which I have suggested in direct taxes will result in a loss of revenue of Rs. 3.1 crores; the abolition of the export duty on oil seeds and vegetable oils will involve a loss of Rs. 1.5 crores; and the rebate of duty on aviation spirit and industrial raw materials will cost a further sum of Rs. 75 lakhs. As I have already stated, this will bring the total loss of revenue to Rs. 5.35 crores, raising the prospective deficit from Rs. 14.79 crores to Rs. 20.14 crores. The increases in customs duties and, the new export duty on cigarettes and cigars will yield Rs. 6.23 crores, the net increase in Postal rates Rs. 2.84 crores, and the increases in Central Excise Duties Rs. 11.52 crores. The final effect of these proposals is to convert the prospective deficit into a small surplus of Rs. 45 lakhs.

#### CONCLUSION.

48. Sir, I have come to the end of my story. It is not pleasant for a Finance Minister to appear before the House with a record of deficits and proposals for additional taxation

but a Finance Minister is as much the creature of circumstances as any one else. Part of the heavy expenditure which Government have now to meet is due to extraordinary circumstances and but for these special demands, the budget would have shown a substantial surplus. As I have mentioned earlier, the present economic conditions in the country make it an imperative necessity to balance the budget. In laying fresh burdens of taxation the House will accept my assurance that I have done my best to secure that they are equitable and that no section of the community is made to pay more than its fair share.

49. On a survey of world conditions today, I feel that we have good reason for taking a hopeful view of our financial position. We are not alone in having to fight scarcities and inflation. These problems confront most countries in the post-war world. We can, however, take comfort from the fact that, unlike some other countries, our financial position is intrinsically sound. We have only a moderate public debt in relation to our national income and we have considerable external reserves with practically no external debt. We have weathered the storm and stress of the partition and its terrible aftermath. In spite of the heavy demands on our resources for the relief and rehabilitation of refugees, the import of food on an unprecedented scale from overseas and the defence of Kashmir against aggression, we are in a position to balance our budget, without sacrificing any of our essential schemes of development. We have made some headway in the fight against inflation. The curve of production is slowly rising and we have plans in hand for increasing the food production of the country. I do not wish in any way to minimise our difficulties or suggest that we can take a complacent view of the situation. A balanced national budget may, and often does, cover a multitude of ill-balanced family budgets. In this respect, we have still a formidable task ahead of us, the task of fighting want, sickness and poverty and raising the living standards of the millions to whom the emancipation of the country will be a mockery unless it is translated in terms of opportunities for a fuller, freer and better life. This task is not beyond our resources but it requires the co-operation of all classes and sections of the community in a spirit of partnership in a high adventure. I have no doubt that this co-operation will be forthcoming and I pray that my stewardship of the finances of the country may contribute in some degree to the accomplishment of this task.

## SUMMARY OF FINAL ESTIMATES.

*Revenue.*

(In lakhs of Rs.)

	Revised. 1948-49	Budget. 1949-50
Customs ... ..	117,25	107,25
Central Excise Duties ... ..	50,25	57,75
		+ 8,98*
Corporation Tax ... ..	57,25	41,81
Taxes on Income other than Corporation Tax	100,75	118,19
		- 6,10*
Opium ... ..	1,08	1,18
Interest ... ..	1,42	1,19
Civil Administration ... ..	7,05	6,78
Currency and Mint ... ..	13,05	9,70
Civil Works ... ..	1,02	1,02
Pre-partition Receipts ... ..	13,40	...
Other Sources of Revenue ... ..	6,52	5,87
Posts and Telegraphs ... ..		
Net Contribution ... ..	3,78	1,63
		+ 2,84*
Railways		
Net Contribution ... ..	7,84	4,72
Deduct—Share of Income-Tax revenue payable to Provinces ... ..	- 41,79	- 48,85
		+ 8,00*
<b>TOTAL REVENUE</b> ...	<b>388,82</b>	<b>322,98</b>

*Expenditure.*

Direct demands on revenue ... ..	9,88	10,06
Irrigation ... ..	8	12
Debt Services ... ..	89,91	89,29
Civil Administration ... ..	38,35	40,50
Currency and Mint ... ..	2,76	2,28
Civil Works ... ..	8,15	7,82
Pensions ... ..	2,68	2,68
Miscellaneous—		
Expenditure on refugees ... ..	19,45	9,85
Subsidy on foodgrains ... ..	31,96	32,97
Other expenditure ... ..	5,90	5,12
Grants to Provinces, etc. ... ..	2,96	2,96
Extraordinary items ... ..	2,21	2,06
Defence Services (net) ... ..	155,48	157,87
Pre-partition Payments ... ..	20,75	10,00
<b>TOTAL EXPENDITURE</b> ...	<b>389,87</b>	<b>322,53</b>
<b>DEFICIT</b> ...	<b>- 1,55</b>	<b>SURPLUS + 45</b>

\*Budget Proposals.